

Message Text

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ACTION OPIC-06

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FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8247

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E.O. 11652: N/A

TAGS: EFIN ST

SUBJ: OPIC: ST LUCIA RESORT

REF: STATE 277890

1. IT IS DIFFICULT TO EVALUATE TROUMASSEE (ST LUCIA) RESORT PROJECT WITHOUT FURTHER DETAILS ON PROJECT ITSELF. NEVERTHELESS WE HOPE FOLLOWING COMMENTS MAY BE USEFUL TO OPIC AS PART OF ANY FINAL ASSESSMENT.

2. ST LUCIA, LIKE MOST OF LESS-DEVELOPED COMMONWEALTH ISLANDS, HAS BEEN HARD HIT BY EXTERNALLY-INDUCED INFLATION AND RECENT SLUMP IN TOURIST TRADE ATTRIBUTABLE IN LARGE MEASURE TO UNCERTAINTY ABROAD. UNEMPLOYMENT IS HIGH, PROBABLY 20-30 PERCENT OR MORE AND MOST OBSERVERS CONSIDER THAT WORST IS YET TO COME. ISLAND IS HEAVILY OVERBUILT IN LUXURY HOTELS AND CURRENT SLUMP PLUS UNCERTAINTY OVER FUTURE OF COURT LINE/LIAT HAVE RESULTED IN EXTREMELY LOW (ESTIMATED 10-15 PERCENT) OCCUPANCY RATES IN A-CLASS HOTELS. OCCUPANCY RATES SLIGHTLY HIGHER IN MIDDLE MARKET ESTABLISHMENTS (ESTIMATED 15-40 PERCENT) BUT MOST HOTELS ARE LOSING MONEY AND HAVE RETRENCHED ON STAFF.

3. NONETHELESS, ST LUCIA PROSPECTS ARE BRIGHTER THAN THOSE OF ANY OTHER REGIONAL LDC. A RELATIVELY WELL-DEVELOPED INFRASTRUCTURE, INCLUDING AN AIRPORT (HEWANORRA-NEAR TROUMASSEE) CAPABLE OF HANDLING ALL MANNER OF JET TRAFFIC, AN INCOMPARABLE CLIMATE AND SCENERY, A FRIENDLY POPULACE AND RESPONSIBLE

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GOVERNMENT MAKE ST LUCIA A FAVORED SPOT AMONG THOSE WHO KNOW

THE CARIBBEAN AREA. IF CURRENT ECONOMIC SLUMP ENDS WITHIN REASONABLE PERIOD OF TIME, IT IS LIKELY THAT ST LUCIA WILL BECOME NEXT ISLAND TO DEVELOP BROAD-BASED MID-INCOME TOURIST TRADE. ST LUCIA'S TWO AIRPORTS AND ROAD SYSTEM (WITH NEW CASTRIES-VIEUX FORT LINKS UNDER CONSTRUCTION) MAKE IT FEASIBLE TO BRING IN TOURISTS EN MASSE FROM NORTH AMERICA AND EUROPE BY CHARTER AIRCRAFT EVEN IF CURRENT LIAT TROUBLES INTENSIFY.

4. EXPERTS IN TRADE HERE INSIST THAT ST LUCIA TOURISM FUTURE DOES NOT REPEAT NOT LIE IN LUXURY HOTEL FIELD WHICH, AS WE HAVE STRESSED ABOVE, IS ALREADY HEAVILY OVERBUILT, BUT IN MID-INCOME MASS TOURIST PACKAGE TRADE. TWO FACTORS ARE LIKELY TO BE DECISIVE IN DETERMINING WHETHER PROJECT UNDER REFERENCE WILL BE SUCCESSFUL: (A) CAPABILITY OF MANAGEMENT TO FORGE FIRM LINKS WITH MARKETING AND TRANSPORTATION SECTORS AND (B) ABILITY OF MANAGEMENT TO HOLD PER ROOM CONSTRUCTION COSTS DOWN (E.G. BELOW \$30,000 PER ROOM). WE DO NOT HAVE SUFFICIENT DATA TO EVALUATE TROUMASSEE PROJECT IN THIS REGARD BUT IT IS REASONABLE TO ASSUME THAT MEDIUM COST LEVEL RESORT PROJECT IN ST LUCIA AIMING AT MID-MARKET MASS TOURIST TRADE OFFERS SOME PROSPECT OF SUCCESS DESPITE CURRENT GLOOM AND UNCERTAINTY PROVIDING THAT IT IS ABLE TO HANDLE MARKETING AND TRANSPORTATION ASPECTS OF TOURIST TRADE.
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